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Message Text

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71
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 EB-07

COME-00 TRSE-00 /074 W
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R 181550Z FEB 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 195

UNCLAS CAIRO 2146

EO 11652: NA
TAGS: EGEN, EG
SUBJECT: GOE DISCUSSES TAX REFORM

1. PROPOSED TAXREFORM REPORTEDLY HAS RISEN TO LEVEL OF PRESIDENTAIL CONSIDERATION WITH DISCUSSION OF ECONOMIC ISSUES FEB. 14 BY SADAT, VICE PRESIDENT, CERTAIN OF CABINET MEMBERS AND OTHER POLITICAL LEADERSHIP. PROPOSED LEGISLATION IS NEXT TO BE PRESENTED TO FULL CABINET AND TO PEOPLES ASSEMBLY FOR RATIFICATION.

2. ACCORDING PRESS ACCOUNTS, FOLLOWING ARE OUTLINES OF TAX MEASURES AS NOW FORMULATED:

A. RAISING EXEMPTION ON GENERAL INCOME TAX TO LE1200 ($3072) PER ANNUM INSTEAD OF CURRENT LE1000. GENERAL INCOME TAX RATE WILLVARY FROM 8 PERCENT ON ANNUAL INCOMES BETWEEN LE1200 AND LE 2000 TO 70 PERCENT ON INCOMES ABOVE LE 70,000 (CURRENT MAXIMUM IS 95 PERCENT ON INCOMES EXCEEDING LE 10,000).

B. NEW TAX TO BE LEVIED ON REAL ESTATE, URBAN LAND AND AUTOMOBILE TRANSFERS WHETHER SOLD OR DONATED. THIS TAX IS ESTIMATED AT AN EFFECTIVE 1-3.5 PERCENT OFVALUE.

C. INCOME FROM FURNISHED APARTMENTS WILL BE SUBJECT TO TAXATION ACCORDING TO RENT. RATES PER ROOM VARY FROM
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LE 1 TO LE 10 PER MONTH.

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D. TAXES ON NON-COMMERCIAL PROFESSIONS WILL BE LEVIED
AT 11 PERCENT RATE ON FIRST LE 1500 PER ANNUM, INCREASING
PRORESSIVELY TO 220 PERCENT ON AMOUNTS EXCEEDING LE 5,000
(ACTUALLY THIS IS SPREAD OF RATES NOW PROVIDED FOR BY LAW).

3. COMMENT: ONLY NEW ELEMENT WE ARE AWARE OF IN
PROPOSED REFORM, WHICH HAS LONG BEEN UNDER DISCUSSION WITHIN
GOE, IS TAX ON FURNISHED APARTMENTS. THIS MEASURE, APPARENTLY
SET AT STEEP RATE OF TAXATION, ALREADY IS SUBJECT OF WIDESPREAD
SPECULATION AS TO PRACTICAL EFFECT IN THIS CITY OF HIGH-- AND STILL
RISING --RENTAL COSTS. IF ENACTED AS REPORTED,IT SEEMS VIRTUALLY
CERTAIN THAT LAW WILL LEAD TO SIGNIFICANT INCREASE IN RENTS FOR
FURNISHED ACCOMMODATIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX REFORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO02146
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760061-0396
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760241/aaaabjhj.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2004 by oatisao>; APPROVED <02 SEP 2004 by ullricre>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOE DISCUSSES TAX REFORM
TAGS: EGEN, EG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006